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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

Contents

1. Macroeconomy

1.1 Quarterly Estimates of Gross Domestic Product, 2014-15

The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, has released the provisional estimates of national income for the financial year 2014-15 and quarterly estimates of Gross Domestic Product (GDP) for the fourth quarter (January-March) of 2014-15, both at constant (2011-12) and current prices.

GDP growth rates for 2014-15 and Q1, Q2, Q3 and Q4 of 2014-15 at constant (2011-12) and current prices are given in Table 1 below:

Table 1
Growth Rates of GDP

	Constant prices (2011-12)	Current prices
Annual 2014-15 P(ROVISION)	7.3	10.5
Q1 2014-15(April-June)	6.7	13.4
Q2 2014-15 (July-Sep)	8.4	13.6
Q3 2014-15 (Oct-Dec)	6.6	8.1
Q4 2014-15 (Jan-Mar)	7.5	7.7

Source: MOSPI

Real GDP or GDP at constant (2011-12) prices in the year 2014-15 is now estimated at Rs. 106.44 lakh crore (as against Rs. 106.57 lakh crore estimated earlier on 9th February, 2015), showing a growth rate of 7.3 percent (as against 7.4 percent estimated earlier) over the New Series/First Revised Estimates of GDP for the year 2013-14 of Rs. 99.21 lakh crore, released on 30th January 2015.

GDP at constant (2011-12) prices in Q4 of 2014-15 is estimated at Rs. 28.74 lakh crore, as against Rs. 26.73 lakh crore in Q4 of 2013-14, showing a growth rate of 7.5 percent. GVA at basic prices at constant (2011-12) prices in Q4 of 2014-15 is estimated at Rs. 25.33 lakh crore, as against Rs. 23.87 lakh crore in Q4 of 2013-14, showing a growth rate of 6.1 percent.

Growth rates in various sectors are as follows: ‘agriculture, forestry and fishing’ (-1.4 percent), ‘mining and quarrying’ (2.3 percent), ‘manufacturing’ (8.4 percent), ‘electricity, gas, water supply and other utility services’ (4.2 percent) ‘construction’ (1.4 percent), 'trade, hotels, transport and communication' (14.1 percent), 'financial, real estate and professional services' (10.2 percent), and ‘Public administration, defence and other Services' (0.1percent).

1.2 Quarterly Report on Debt Management for the Quarter January-March 2015

During Q4 of FY15, the Government issued dated securities worth Rs. 95,000 crore to complete the borrowings of Rs.5,92,000 crore projected in RE. For entire FY15, while gross market borrowings were higher than previous year’s gross market borrowings (Rs.5,63,675 crore) by 5.0 per cent, net market borrowings were lower than previous year (Rs. 4,69,141 crore) by 4.7 per cent, reflecting higher repayments during the year 2014-15. During Q4, switch operations of Government of India securities were conducted with a scheduled commercial bank and RBI, wherein securities having face value of about Rs. 39,028 crore maturing in 2015-16 and 2016-17 were switched to a longer tenor securities maturing in 2026-27 and 2030-31.

Auctions during Q4 of FY15 were held broadly in accordance with the pre-announced calendar. During the quarter, emphasis on re-issues was continued with a view to build up adequate volumes under existing securities imparting greater liquidity in the secondary market. The weighted average maturity (WAM) of dated securities issued during Q 4 of FY15 at 15.57 years was higher than 14.75 years for dated securities issued in Q 3 of FY15. The weighted average yield (cut-off) of issuance during Q4 of FY15 also declined to 7.79 per cent from 8.24 per cent in Q3 of FY15, reflecting a moderation in yields during the quarter. Liquidity conditions in the economy remained tight during the quarter, accentuating towards quarter end when liquidity in market tightened on account of financial year end demand. The cash position of the Government remained comfortable during the quarter. Consequently, the Government did not issue any CMB. The issuance amount under Treasury bills was also as per calendar.

The public debt (excluding liabilities under the 'Public Account') of the Central Government provisionally increased by 0.9 per cent in Q4 of FY 15 on Q-o-Q basis as compared with an increase of 2.4 per cent in the previous quarter (Q3 of FY15).

Internal debt constituted 92.1 per cent of public debt as at end-March 2015, while marketable securities accounted for 84.8 per cent of public debt. About 24.8 per cent of outstanding stock has a residual maturity of up to 5 years, which implies that over the next five years, on an average, around 5.0 per cent of outstanding stock needs to be rolled over every year. Thus, the rollover risk in the debt portfolio continues to be low. The implementation of budgeted buy back/ switches in coming years is expected to reduce roll over risk further.

G sec (10 year BM) yield after opening at 7.91% softened in January 2015, amid declining crude prices, following the lower inflation numbers and in expectation of positive rate action from RBI (eventually repo rate under the LAF cut by 25 basis on Jan 15, 2015 by RBI), 10 year BM touched a 19 month low of 7.64% on Feb 1, 2015.

The market traded in a range in February 2015 and RBI, reduced the SLR by 50 basis points to 21.5 per cent w.e.f. Feb 7, 2015 in its sixth bi-monthly monetary policy review on Feb 03, 2015. However, post-presentation of Union Budget 2015-16, despite pre-emptive policy action by RBI, yield hardened marginally in March 2015 owing to financial year end demands for the liquidity, higher than expected inflation number for Feb 2015 and low probability of rate cut after two surprise cuts by RBI.

Compared to previous quarter, owing to policy rate cuts during the quarter, commencement of QE by ECB and expectations of lower inflation numbers owing to slump in global commodity prices, bonds yields moderated across the curve.

In the final quarter, trading volumes, on an outright basis, were lower by 13.57 per cent over the previous quarter, due to lower trading on account of Central government dated securities (decrease of 15.07%). The annualised outright turnover ratio for Central government dated securities for Q 4 of FY15 decreased to 4.7 from 5.6 during the previous quarter.

1.3 Kharif Crop sown in 59.56 lakh hectare

The total sown area as on 29th May, as per reports received from States, stands at 59.56 lakh hectare as compared to 59.47 lakh hectare at this time last year.

It is reported that rice has been sown/transplanted in 3.08 lakh ha, sugarcane in 40.70 lakh hectare and cotton in 8.82 lakh ha.

The details of the area covered so far and that covered during this time last year are given in Table 2 below:

Table 2
Kharif Crop sown

Lakh hectare

Crop	Area sown in 2015-16	Area sown in 2014-15
Rice	3.08	2.54
Oilseeds	0.16	0.04
Sugarcane	40.70	42.92
Jute & Mesta	6.81	6.25
Cotton	8.82	7.72
Total	59.56	59.47

Source: Ministry of Agriculture, Government of India

2. Corporate Sector

2.1 Framework for Revival and Rehabilitation of MSMEs

The Ministry of Micro, Small & Medium Enterprises has notified a Framework for Revival and Rehabilitation of MSMEs, in exercise of the powers conferred under section 9 of the Micro, Small and Medium Enterprises Development Act, 2006.

In India, the existing mechanism for addressing revival, rehabilitation and exit of small enterprises is very weak. The most recent Doing Business (DB) Report, a joint project of the World Bank and the International Finance Corporation, ranks India 137 out of the 189 economies for resolving insolvencies. It notes that resolving insolvency takes 4.3 years on average and costs 9.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale.

Pending a detailed revision of the legal framework for resolving insolvency/bankruptcy, there is a felt need for special dispensation for revival and exit of MSMEs. The MSMEs facing insolvency/bankruptcy need to be provided legal opportunities to revive their units. This could be through a scheme for re-organization and rehabilitation, which balances the interests of the creditors and debtors.

Salient Features

The main features of the framework which complements to the features of the existing RBI notification of 2012 and 2014 are as below:

Identification of incipient stress: Before a loan account of a MSME turns into a Non Performing Asset (NPA), banks/creditors are required to identify incipient stress in the account. Any Micro, Small or Medium enterprise may also voluntarily initiate proceedings under this Order if enterprise reasonably apprehends failure of its business or its inability or likely inability to pay debts and before the accumulated losses of the enterprise equals to half or more of its entire net worth.

Committees for Distressed Micro, Small and Medium Enterprises: All banks shall constitute one or more Committees at such locations as may be considered necessary by the board of directors of such bank to provide reasonable access to all eligible Micro, Small and Medium enterprises which have availed credit facilities from such bank. The Committee shall comprise of representatives of the Bank, independent expert and representative of the State Government.

Corrective Action Plan (CAP) by the Committee: The Committee may explore various options to resolve the stress in the account. The intention is to arrive at an early and feasible solution to preserve the economic value of the underlying assets as well as the lenders' loans and also to allow the enterprise to continue with its business. During the period of operation of Corrective Action Plan (CAP), the enterprise shall be allowed to avail both secured and unsecured credit for its business operations.

Options under Corrective Action Plan (CAP): The options under Corrective Action Plan (CAP) by the Committee may include: (i) Rectification - regularize the account so that the account does not slip into the non-performing asset (NPA) category, (ii) restructuring the account if it is prima facie viable and the borrower is not a willful defaulter, and (iii) recovery - Once the first two options at (i) and (ii) above are seen as not feasible, due recovery process may be resorted to.

Restructuring Process: If the Committee decides restructuring of the account as CAP, it will have the option of either referring the account to Enterprise Debt Restructuring (EDR) Cell after a decision to restructure is taken or restructure the same independent of the EDR mechanism. If the Committee decides to restructure an account independent of the EDR mechanism, the Committee should carry out the detailed Techno-Economic Viability (TEV) study, and if found viable, finalise the restructuring package within 30 days from the date of signing off the final CAP.

Prudential Norms on Asset Classification and Provisioning: While a restructuring proposal is under consideration by the Committee/EDR, the usual asset classification norm would continue to apply. The process of re-classification of an asset should not stop merely because restructuring proposal is under consideration by the Committee/EDR. However, as an incentive for quick implementation of a restructuring package, the special asset classification benefit on restructuring of accounts as per extant instructions would be available for accounts undertaken for restructuring under these guidelines.

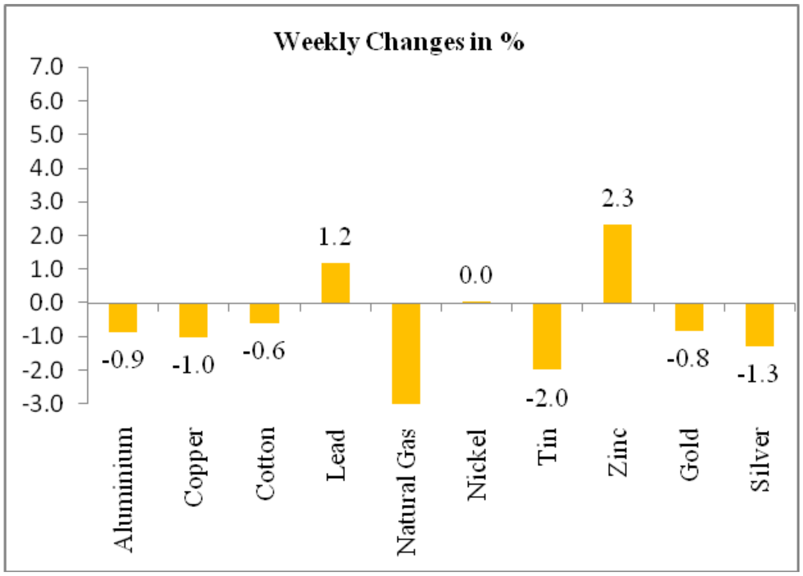
Willful Defaulters and Non-Cooperative Borrowers: Banks are required to strictly adhere to the guidelines issued by RBI from time to time regarding treatment of Willful Defaulters.

Review: In case the Committee decides that recovery action is to be initiated against an enterprise, such enterprise may request for a review of the decision by the Committee within a period of fifteen working days from the date of receipt of the decision of the Committee. Application filed under this section shall be decided by the Committee within a period of thirty days from the date of filing and if as a consequence of such review, the Committee decides to pursue a fresh corrective action plan for revival of the enterprise shall apply accordingly.

It is expected that above Framework help the lenders and debtors in revival and rehabilitation of enterprises and shall unlock the potential of MSMEs.

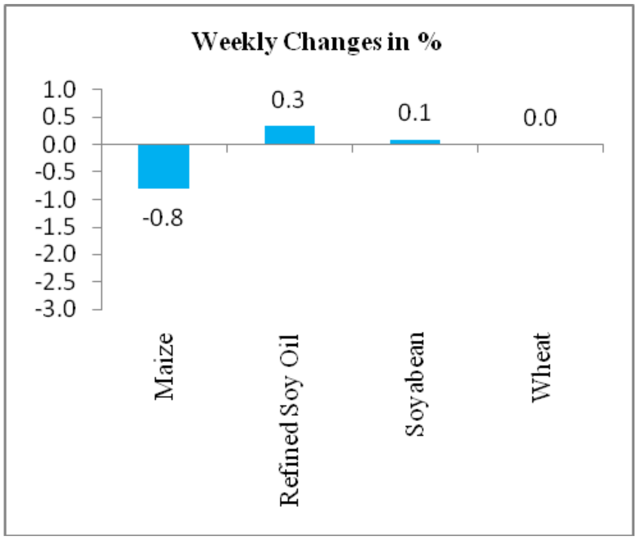
2.2 Basic Metals and Agriculture Commodities in Spot Market

Performance of Metals Market Spot Prices



Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix

Performance Agri Commodities Market Spot Prices



Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix

3. Market Trends

BSE: The BSE Sensex decreased by 0.23 per cent and closed at 27828.44

NSE: Nifty decreased by 0.05 per cent during the week and closed at 8433.65

Dollar: The value of Rupee depreciated by Rs. 0.13 against the US dollar during the week and closed at Rs 63.76 per dollar.

Euro: The value of Rupee appreciated by Rs. 0.02 against the Euro and closed at Rs. 69.90 per euro.

Forex Reserves: India's Foreign Exchange reserves decreased by USD 2.3 billion to USD 351.55 billion during the week-ended May 22, 2015.

4. Global Developments

4.1 UK, Second Estimate of GDP, Quarter 1(Jan to Mar) 2015

- UK GDP in volume terms was estimated to have increased by 0.3% between Quarter 4 (Oct to Dec) 2014 and Quarter 1 (Jan to Mar) 2015, unrevised from the previous estimate of GDP published 28 April 2015.

- GDP was estimated to have increased by 2.8% in 2014, compared with 2013, unrevised from the previously published estimate.

- Between Quarter 1 2014 and Quarter 1 2015, GDP in volume terms increased by 2.4%, unrevised from the previously published estimate.

- GDP in current prices was estimated to have increased by 0.9% between Quarter 4 2014 and Quarter 1 2015.

- GDP per head was estimated to have increased by 0.1% between Quarter 4 2014 and Quarter 1 2015. Between 2013 and 2014, GDP per head increased by 2.2%.

Refer Table 3 below

Table 3

Headline GDP and selected components, UK: Q1 (Jan to Mar) 2015

	Current market prices		Chained volume measures		
	Gross domestic product	Compensation of employees	Gross domestic product	Household expenditure	Gross fixed capital formation
	%[1]	%[1]	%[1]	%[1]	%[1]
Seasonally adjusted					
Q1 2013	0.8	0.0	0.6	0.4	1.0
Q2 2013	2.0	2.9	0.6	0.3	0.6
Q3 2013	0.7	0.1	0.7	0.6	2.7
Q4 2013	1.1	0.3	0.4	0.4	2.3
Q1 2014	0.9	-0.2	0.9	0.8	3.2
Q2 2014	2.0	1.9	0.8	0.5	0.7
Q3 2014	0.6	1.4	0.6	1.0	1.7
Q4 2014	0.7	1.1	0.6	0.6	-0.6
Q1 2015	0.9	-0.2	0.3	0.5	1.5

Source: Office for National Statistics, UK

Note: [1.] Percentage change on previous quarter

Q1 refers Jan to Mar

Q2 refers Apr to Jun

Q3 refers Jul to Sept

Q4 refers to Oct to Dec

5. Data Appendix

Table 4
Latest Available Financial Information

Item	May 15, 2015	May 22, 2015	Percentage Change
Deposits of Scheduled Commercial Banks with RBI (Rs. Billion)	3605.23	3616.32	0.31
Foreign Currency Assets of RBI (Rs. Billion)	21151.12	21003.4	-0.70
Advances of RBI to the Central Government (Rs. Billion)	-----	-----	-----
Advances of RBI to the Scheduled Commercial Banks (Rs. Billion)	1212.19	1139.43	-6.00

Source: RBI, Govt. of India

Table 5
BSE Sensex and NSE Nifty Index

Index	May 25, 2015	May 29, 2015	Percentage Change
BSE SENSEX	27893.25	27828.44	-0.23
S & P CNX NIFTY	8438.15	8433.65	-0.05

Source: BSE India and NSE India

Table 6
Metals Market Spot Prices Index (Rs.)

Products	Unit	May 2015					
		25th	26th	27th	28th	29th	Weekly Changes in %
Aluminium	1 KGS	109.70	109.20	108.65	109.85	108.75	-0.9
Copper	1 KGS	393.95	393.95	391.00	390.30	389.90	-1.0
Cotton	1 BALES	16660.00	16560.00	16510.00	16500.00	16560.00	-0.6
Lead	1 KGS	123.45	123.30	122.80	125.75	124.90	1.2
Natural Gas	1 mmBtu	183.50	183.50	180.20	182.10	172.90	-5.8

Nickel	1 KGS	807.70	807.60	806.50	820.30	808.00	0.0
Tin	1 KGS	1005.00	1000.50	981.00	987.50	985.00	-2.0
Zinc	1 KGS	137.85	139.00	138.50	141.85	141.05	2.3
Gold	10 GRMS	27066.00	27032.00	26890.00	26858.00	26843.00	-0.8
Silver	1 KGS	38503.00	38207.00	38026.00	37934.00	38013.00	-1.3

Source: MCX

Table 7

Agri Commodities Market Spot Prices (Rs.)

Products	Unit	May 2015					Weekly Changes in %
		25th	26th	27th	28th	29th	
Maize	100 KGS	1250.00	1250.00	1265.00	1250.00	1240.00	-0.8
Refined Soy Oil	10 KGS	630.00	631.40	632.10	636.30	632.10	0.3
Soyabean	100 KGS	3936.50	3890.00	3910.00	3957.50	3940.00	0.1
Wheat	100 KGS	1520.0	1515.0	1515.0	1515.0	1520.0	0.0

Source: MCX

ASSOCHAM Economic Research Bureau

ASSOCHAM Economic Research Bureau (AERB) is the research division of the Associated Chambers of Commerce and Industry of India. The Research Bureau undertakes studies on various economic issues, policy matters, financial markets, international trade, social development, sector wise performance and monitoring global economy dynamics.

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ASSOCHAM Business Barometer (ABB) are based on the surveys conducted by the Research Team to take note of the opinion of leading CEOs, MDs, CFOs, economists and experts in various fields.

ASSOCHAM Investment Meter (AIM) keeps the track of the investment announcements by the private sector in different sectors and across the various states and cities.

ASSOCHAM Placement Pattern (APP) is based on the sample data that is tracked on a daily basis for the vacancies posted by companies via job portals and advertisements in the national and regional dailies, journals and newspaper. Data is tracked for 60 cities and 30 sectors that are offering job opportunities in India.

ASSOCHAM Financial Pulse (AFP) as an analytical tool tracks quarterly financial performance of India Inc; forming strong inter-linkages with the real economy and presents sectoral insights and outlook based on financial indicators, demand signals and corporate dividend activity.

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Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segment

MISSION

As representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic industrial and social development. We believe education, health, agriculture and environment to be the critical success factors.

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To ensure that the voice and concerns of ASSOCHAM are taken note of by policy makers and legislators. To be proactive on policy initiatives those are in consonance with our mission. To strengthen the network of relationships of national and international levels/forums. To develop learning organization, sensitive to the development needs and concerns of its members. To broad-base membership. Knowledge sets the pace for growth by exceeding the expectation, and blends the wisdom of the old with the needs of the present.